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# Vested Wrongs

BY

ROBERT P. PORTER

An address read at the Third Annual  
Convention of the League of American  
Municipalities, held at Syracuse, New  
York, September 19-22, 1899 ❖ ❖ ❖ ❖



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# VESTED WRONGS\*

By Robert P. Porter

IT is now nearly twenty-five years ago since I first took up the fiscal problems relating to our states, counties and municipalities, and twenty years since I was called upon by the United States Government to write a history of the debt of each state of the Union, and prepare a report on the wealth, debt and taxation of our cities and towns. The result of those inquiries may be found in Volume VII. of the Tenth Census [1880].† Soon after the war a craze set in for municipal improvements, similar to the present epidemic for owning and operating public utilities, and as a result local indebtedness and taxes had increased so rapidly that in many instances the burden upon the taxpayers became almost unbearable, and in some important cities repudiation was publicly advocated. The alarm occasioned by the increase of municipal indebtedness was emphasized in many of the western states by the large sums of public money voted to



\* An address read at the Third Annual Convention of the League of American Municipalities, held at Syracuse, N. Y., Sept. 19-22, 1899.

† Report on Valuation, Taxation and Public Indebtedness in the United States, and returned at the Tenth Census (June 1, 1880), by Robert P. Porter, Special Agent.



aid innumerable private railway schemes, a majority of which had not come up to the great expectations of the promoters and had left the unhappy communities responsible for millions of unpaid bonds. The history of this period of our state and local fiscal history should be familiar to advocates of municipal ownership in the United States. If not they will find much official data of value and interest in the volume referred to, which has a practical bearing on the question at issue. In seeking a remedy for the evil of municipal indebtedness which seriously threatened our cities and towns with bankruptcy during this period, the constitutional limitation of debt was hit upon, and thus the wisdom of the people put a break upon municipal madness. In some of the more flagrant instances, that of Michigan, for example, the people even went further and declared that the state must not be "a party to or interested in any work of internal improvement," so bitter had been these experiments in a theory of government foreign to the sound maxim, that the country is governed the best which is governed the least. This action on the part of the people of that state has saved Detroit from one of the wildest and probably one of the most disastrous experiments in municipal ownership yet recorded. The state constitutional limitation of debt which stopped the debt-creating mania during the seventies and early eighties, will again come in to hold in check these latter-day movements towards socialism and paternalism, until practical men in municipal affairs are

enabled to examine fully, not only the many complex questions involved in municipal ownership of all public utilities, but to realize the stupendous change which such an absorption of private enterprise would bring about in the fundamental principle of the government of the Republic. An effort is now on foot, in my opinion fraught with great danger to American municipalities, to remove all constitutional and legislative restrictions on municipal indebtedness when the municipalities wish to purchase these so-called revenue-producing properties. Communities, like individuals, soon forget past experiences, and those who see their wild schemes checked by the sober judgment expressed by the people during times of state and municipal bankruptcy, are apt to urge the removal of such constitutional barriers. Should this be done and full swing given to municipal ownership experiments, the American taxpayer will simply invite financial catastrophies far more sweeping and destructive than those referred to in the Michigan Supreme Court decision. Citizens who believe in sound government should vigorously oppose all attempts to remove the constitutional limitation on state and municipal indebtedness.\*

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\*As the advocates of municipal ownership are so fond of quoting English examples they are referred to the statistics showing the increase in local rates in England and Wales from 1891-2 to 1896-7. In 1891-2 the local rates in England and Wales amounted, roughly, to 28 1-2 million pounds; in 1896-7 they amounted to 37 1-2 millions, an increase of about 31 per cent. This was, of course, accompanied by an increase in rateable value, and taking this into consideration, the rate in the pound, calculated on the Poor Rate valuation, rose from 3s. 7 1-4d. to 4s. 6d., an increase of about 23 per cent. The increase in

Before those who are responsible for the administration of these great trusts commit themselves to the expenditure of millions, nay hundreds of millions, of the people's money, in these daring experiments, it behooves them to acquaint themselves with all the facts. They must study with the utmost care and impartiality the results of municipal ownership in England. The official reports in relation to the operation of gas works show no special advantage in favor of municipally owned plants. These figures are accessible and in convenient form. They must do precisely the same in relation

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rateable value had taken place entirely in urban districts. There had, indeed, been a fall in the rateable value of rural districts. The total rates for the Metropolitan area had risen within the period under consideration from 5s. to 5s. 9d. in the pound; in Municipal county boroughs from 1s. 3d. to 1s. 8d.; in county boroughs (urban sanitary), from 2s. 6d. to 2s. 11d.; and in rural District Councils from 1s. 7d. to 3s. Purely urban rates were responsible for 62 per cent of the increase. Those outside London contributed the largest proportion of the increase, but it must be remembered that the number of urban districts had increased.

In an editorial on this subject a London newspaper says:—

"'Local indebtedness is mounting up' is a phrase that is often used in connection with proposals in the domain of municipal enterprise. Figures compiled by Mr. Beckett, who read a paper on the subject at the Health Congress at Blackpool, give us a clear idea of what this growing indebtedness amounts to, both for the individual ratepayer and in the bulk. In 1875 the local debt per head was only £3 17s. 2d., in 1894 it had risen to £7 9s. 2d. per head, or 93 per cent. over 1875; and, of course, it is more now. This indebtedness per head has grown much more rapidly than rateable value. In 1875 this was £4 19s. 1d. per head; in 1895 only £5 7s. 2d., which is less than in 1884. The disproportion between the increase of local indebtedness and rateable value may well cause, as Burdett says, an 'uneasy feeling.' The aggregate amount of local indebtedness looks more serious. In 1874-75 it was £92,820,100, in 1895-96 £243,209,862. More than one-half of the debts, said Mr. Beckett, is due to the aggressiveness of the local administrator as trader. Whether we are paying too much for our 'municipal whistles' or not is a question local ratepayers must decide for themselves."

to British tramways. On this side of the problem perhaps I can speak with some degree of authority, as I have made a careful study of the facts both at home and abroad.\* A brief reference will be made hereafter to the results of these inquiries in relation to the municipalization of street railways in England, where we must go for the sum total of experience up to date. For the moment we may profitably examine some recent statements of those who are in the front rank of this movement toward the municipalization of public utilities. Here, for example, is the venerable and venerated Dr. Lyman Abbott declaring that "the sooner our cities own the lines of railroads, the better both for the convenience of the people and the purity of our municipal governments." Similar assertions have been made by advocates of municipal ownership, but assiduous search for the statistics, the facts, if there be any, upon which these assertions are supposed to be based, have failed to materialize. As I shall hereafter show, Dr. Abbott, when asked to come and give reasons and facts for his assertions before the New York State Committee on Street Railways, failed to appear. Without facts to sustain these assumptions, the position of such gentlemen as Dr. Abbott is peculiarly illogical and unbusinesslike. The administrators of our municipalities have been too incompetent and too corrupt to

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\* "Municipal Ownership and Operation of Street Railways in England," by Robert P. Porter. Report of the special committee to investigate the relation between cities and towns and street railway companies, Boston, Feb., 1898.

"Municipal Ownership at Home and Abroad," by Robert P. Porter, 100 Broadway, New York.

make fair and just bargains with private enterprise to carry on works of public utility. What is the proposed remedy? That having sold or leased these rights to do quasi-public business at a public loss, the same incompetent and corrupt officials or their successors shall now buy them back again—at an excessive valuation, as in the case of Detroit—and manage such trusts for the convenience of the public and in the interests of municipal purity. And this in the face of Professor Bemis's declaration that a large portion of the force employed on the Philadelphia municipal gas plant was made up of ward-heelers, faithful only in their allegiance to a political boss. He frankly tells us:—

“The works under public operation would have shown better results than were obtained had it not been for the spoils system, general inefficiency and unprogressiveness.”

The position of these eloquent phrase-makers must strike practical administrators as grotesque. The practical man knows that cities, like individuals, have made both good and bad bargains with private corporations. That where one of these bargains has been corrupt, a score, nay fifty or a hundred, have been square and honest. They know that oftener than not the cities in the first instance have been as glad to secure the improvement, whether a new water-works, additional and improved gas plants or electrical street railways, as the capitalist has been to invest his money. They know full well that in many cases capital has been coaxed into the enterprises. Indeed, I know personally of the case of a bankrupt street rail-

way in a western college town in which the present operators—the people who furnished the equipment—attribute the bankruptcy wholly to the eloquence of certain college professors, who persuaded the original promoters to lay the line up to the University settlement in advance of public necessity. I have no doubt some of these very gentlemen are lecturing on the iniquities of “capitalistic aggregations” and kindling the fires of “a new application of ethical principles” for effectual vengeance for such folly. These theoretical gentlemen, who talk so glibly and eloquently on municipal ownership in the abstract, and conveniently fail to appear when a New York or Massachusetts commission

are considering the concrete sides of the question, have little conception of the real obstacles which prevent practical administrators from rushing headlong into these municipal experiments. The value of the lines of railroads which Dr. Abbott thinks we should at once own will in 1900 be in the neighborhood of sixteen hundred millions of dollars (\$1,600,000,000); add to this another one thousand million of dollars (\$1,000,000,000) for municipal gasworks, and we have a total of two thousand six hundred million of dollars (\$2,600,000,000). If state constitutional barriers could be thrown down to accomplish this, the muni-



capital indebtedness of the country would be more than quadrupled, or increased from eight hundred million dollars (\$800,000,000) to three thousand four hundred millions of dollars (\$3,400,000,000), which is simply a preposterous proposition. The fact is, not one of these able generalizers in municipal ownership could present a practically worked out scheme for the acquisition and management of a water-works, a gas plant or an electric street railway. I mean a proposition that would be accepted in the financial world and stand the test of the courts. The Rev. Dr. Washington Gladden, of Columbus, Ohio, forcibly expresses a sentiment, which a fair-minded writer in that ably-edited newspaper, the *Brooklyn Eagle*, says "has run like wildfire through the West and has reached the East." Dr. Gladden says:—

"There is one class of capitalistic aggregations, based on monopoly, against which popular indignation is likely to be kindled even sooner than against the so-called trusts. I refer to those which are founded on municipal franchises. Most of the companies owning these franchises have issued capital far in excess of their actual investment, have disposed of the stock thus issued and are charging enough for the services rendered the public to pay the dividends on all this watered stock. If they were content with a fair return on what the plant has actually cost them, the price of the service could be greatly reduced. A fair return on their actual investment nobody grudges them, but the privilege of taxing the community to pay dividends on two or three times as much money as they have invested is going to be questioned one of these days. When the reckoning day comes to our monopolies some sharp inquisition may be made into the fundamental equities of many of these institutions. Vested

rights will be respected, I have no doubt; but vested wrongs may be called to account. It is probable that some new legal maxims will be framed and enforced and that our jurisprudence will be enlarged and invigorated by a new application of ethical principles. Whether corporations in any sense private will long be permitted to manage public utilities may be doubted; but if they do they will certainly be required to govern their conduct by a strict regard for the public welfare."

Commenting on this, the *Brooklyn Eagle* writer says:—

"In this statement made by Dr. Gladden is the principal charge in the indictment which the advocates of Municipal Ownership have brought against corporations owning surface railroads, gas, electric light and telephone plants. You will find the same charge made by Professor Bemis in his book on "Municipal Monopolies"; the same charge is being made from pulpits and the chairs of college professors all over the country. With the truth or falsity of this charge the writer has no concern in the writing of these letters; for he is dealing with facts, as they have been found. Yet one may be permitted to say, without being open to the charge of bias, that this charge has, so far, not been answered."

This sweeping and general and unsupported charge has, in my opinion, not been answered specifically, in the first place because there is no specific charge to answer. Professor Bemis himself seems to be in despair in relation to gas statistics for comparative purposes, and yet for years he has made a specialty of this branch of the subject. He has given us a bewildering assortment of statistics, and led us into the labyrinthine mazes of gas statistics until we supposed the subject exhausted and municipal owner-



ship in gasworks a mathematically demonstrated success. And now he says:—

“It is indeed difficult to gather statistics of any value upon electric and gas lighting. The bias of the investigator, the secretiveness of the private companies, the poor bookkeeping of many of the public companies and the fact that the conduct of a public plant, especially one united with a water plant, does not require the keeping of accounts in the way most conclusive to comparisons with other companies, account for the well-grounded distrust of most lighting statistics.”

Here we have the unscrupulous secretiveness of the private companies, that was to be expected from Professor Bemis; but what are we to think of the “poor bookkeeping of the public companies”? I have recently examined some excellent official statistical exhibits relating to the principal gasworks of England, and find them capable of comprehension by the ordinary mind. The cost of management and of product to the consumer is clearly set forth—municipal gasworks on the one side and private gasworks on the other—and the result by no means favors municipal ownership. Yet the so-called “spoils system” does not prevail in England. The Gas and Electric Light Commission of Massachusetts have recently published a very comprehensive volume of gas and electric light statistics,\* in which similar comparisons are made between municipally owned light plants and privately operated plants, to the detriment of the former. The public seem

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\* Annual Report of the Board of Gas and Electric Light Commissioners of the Commonwealth of Massachusetts, January, 1899.

to pay higher for the municipal than for the private company gas.

It is to be hoped that Professor Bemis's announcement, that there is a "well-grounded distrust of most lighting statistics," is not due to the fact that the figures published do not point his way. Certainly the English official returns and those from the last Massachusetts report do not support his theories, while many of his other comparisons have been seriously questioned by those who speak with expert authority. Take, for example, the Philadelphia case, which has been quite roughly handled by Professor Bemis, and yet it has turned out an admirable arrangement for the municipality. An arrangement, by the way, which some of the cities owning their gasworks would be wise to follow.



In pursuance of its contract, the United Gas Improvement Company has spent in betterments on the Philadelphia gas plant, from December 1, 1897, to June 1, 1899, \$4,049,541.72. It turned into the city treasury for old gas bills collected, being bills for gas supplied by the city prior to the date of the lease, \$707,340.09. It has paid into the city treasury the amount of the inventory of materials on hand at the date of the lease—being coal, lime, etc., \$187,678.73. It has paid into the city treasury 10 per cent on all collections from the date of the

lease to July 1, 1899, \$467,628.41. It must be remembered that the company is not paying for a franchise, but is paying rent for the very valuable gas-making property of the city, upon which it is also bound by the terms of the lease to expend these large sums of money in betterments. Cities that are tempted to follow the lead of Governor Pingree and Mayor Jones into municipal ownership of "public utilities" will do well to wait until there are more abundant materials for a comparison of the results in a great city of municipal and of private gas production and distribution. Fortunately for Philadelphia, the company making this contract with the municipality consisted of men of the highest integrity and at the same time represented the highest grade of experience in the manufacture of gas. They can furnish a better commodity for less money than any municipal plant, and hence, while they make a reasonable and fair profit themselves, they serve the community far better than it has ever been served before. If Philadelphia would take precisely the same course with its water-works the public would be better served and millions saved to the taxpayers.

As a rule, these college and pulpit charges are vague and only supported here and there by stray facts, largely culled from inflammatory newspapers. The charges made by Dr. Gladden and by Professor Bemis may be, and probably are, true in some particular instances where private capital and peculiar conditions have enabled private corporations to drive good bargains with the administrators of public corpora-

tions. In a majority of such cases, however, it will be found that the "vested wrong" has become so by reason of unexpected growth or prosperity of the community, and not because the contract when made was at that time against public welfare. The only remedy in such cases is more care in the future on the part of municipal administrators. Reasonable leases should be made, instead of franchises in perpetuity. Our present municipal administrators are more awake to this. In New York the new state constitution limits such franchises to twenty-five years. This is a practical way to prevent the perpetual franchises. And yet if these gentlemen will take the trouble to study the history of some of the worst of these "vested wrongs," they will find that many of the most profitable of them went begging for years. That the communities looked upon the promoters as public utility cranks, instead of public utility thieves. That the original enthusiastic owners were buffeted from pillar to post in their endeavor to find capitalists willing to risk their money to operate them, and that the present "deplorable condition of affairs" is as much due to the persistent and stubborn growth and prosperity of these American cities as to the inherent dishonesty and wickedness of the "capitalistic aggregations" which incite the righteous indignation and wrath of these public spirited gentlemen.

So far as my own personal inquiries in relation to municipalization of street railways indicate anything they clearly point out that the glowing accounts we have had

of such experiments by returned American travelers from the other side are valueless when submitted to practical American tests. Not only are the statements of success and profits greatly exaggerated, but municipal ownership has not made anything like the headway in the United Kingdom which many would have us believe. Indeed, there is much misapprehension in the United States on this subject. Some accounts would seem to indicate that England has municipalized such undertakings as water, gas, electric lighting, and street railways to a much greater extent than the facts warrant. In reality, if an absolutely accurate comparison could be made between the United Kingdom and the United States, it is doubtful which of the two countries would lead in this respect. I refer, of course, to public service, with profit-earning possibilities. For example, should we consider the four important branches of service—the supply of water, gas, electric light, and street railways—together, it would be safe to say that honors in favor of the municipalization of these undertakings would be about equally divided in the two countries.

To those without practical experience in handling such vast undertakings, and who therefore cannot possibly realize the obstacles in the way of turning over such stupendous enterprises as these, requiring, as they do, so much expert knowledge, to officials in no way specially trained, municipalization is no doubt a fascinating idea. Hence we find many writers at home taking it up with avidity, and as a result the literature on the subject during the last decade

has increased far more rapidly than the experiments themselves. A few instances of municipal ownership have been made to do duty for so many books, essays, lectures, and articles that the practical man of affairs is beginning to inquire for additional particulars. Exaggerated and enthusiastically written accounts of the municipal millennium of Glasgow and Birmingham no longer arrest his attention; while the sudden change in public sentiment in 1894 in favor of a halt in the startling experiments inaugurated by the London County Council has greatly increased the doubts of those who are not sure that, even if the success in this direction had been as great as intimated in England, similar experiments might not be fraught with great danger this side the Atlantic.

The results of my own inquiries into the working of municipalized street railroads in England are supported by almost identically the same investigation and analysis of the same facts by Benjamin Taylor, F. R. G. S., who thus sums up his facts in the August (1899) *Cassier's Magazine*:—

"This review then, of municipal enterprise in the working of tramways in the United Kingdom, leads to the conclusion that in no single instance has it been perfectly successful. Glasgow furnishes the nearest approach to success, but in Glasgow, with a small track for an enormous dependent population, it would take very bad management indeed to produce financial failure.\*

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\* Mr. Taylor is correct in this statement, and he might have added that an American company at the time Glasgow took over the tramways stood ready to lease the enterprise and pay a cash sum annually into the Glasgow city treasury for a permit of twenty-one years far in excess of the profits of any year. Not only this, but the fares were not to be increased.

And in Glasgow the system is a very long way short of perfection, while the retention of horse haulage renders the future exceedingly insecure. In no single instance can the municipal working of tramways be demonstrated to be a commercial success; and in no single instance has municipal management fulfilled the socialistic ideal, either in respect of its servants or its passengers."

It is a very significant fact that Mr. Taylor, writing from the British standpoint, and conducting an investigation entirely independent, should, with the same facts and figures before him—the official reports of these several enterprises—arrive at almost identically the same conclusions as those which you will find in the paper which I had the honor to submit in response to a request from the chairman of the Massachusetts State Committee in December, 1897, and which will be found in extenso in the report of that committee. Again Mr. Taylor says:—

"The writer does not hesitate to say that any well-managed company, in possession of the advantages which any of these corporations, whose work has been reviewed, possess, would have long ere this produced better results, both for itself and for the public. Nothing is said of the serious dangers and onerous charges that may await the ratepayer as the result of what Lord Wemyss calls 'the mad move of municipalities toward the municipalization of everything—gas, water, tramways, in the present and all other things in the municipal future.'"

The fact that these socialistic experiments rarely meet the anticipation of the labor side of the problem is receiving emphasis at this moment in London. Last month, when in London, the newspapers were giving in detail the woes of the County

Council tramway employees, who were piteously calling upon their brother omnibus drivers—employed by soulless private corporations, but as well paid as any labor in Great Britain—to come to their rescue. When in London the general secretary of the union gave me a brief list of the grievances of the men thus employed by the London County Council—the body that started out six years ago to relieve all the burdens of London labor and London poor. From this it appears that the men are being asked to sign an agreement to work under the Council's rules and regulations, many of which are said to be decidedly unfair towards the workers. In one case, by Rule 33, the men are required to be always within call. During their hours of rest they are liable to be called upon at any moment to begin work, so that they dare not leave home, and cannot call a single hour of the week their own. Again, by Rule 31, any disparaging remarks made by employees concerning the conduct and management of the tramway system are to be treated as a breach of the rules, and Rule





35 provides that any such breach of rules may be punished by instant dismissal. Further, although a workman is liable to instant dismissal, he may not leave of his own accord without giving a full week's notice. The workmen also object to the exceptionally long hours which they are called upon to work, one instance being an unbroken period of twelve hours and twenty minutes on Sundays. The extra men, moreover, are obliged to loiter about the yards for hours without getting a job, and their work is paid for at the rate of 9s. a week less than that of the regular workers. The men complain that they have been left in the lurch by the Council. The London County Council has always prided itself with being a model employer of labor; yet these men openly claimed to me a few weeks ago that the union could prove that the London County Council was the worst. The tramway enterprise has been conducted contrary to all the principles of trade unionism. Surely the second condition of these men is worse than the first. A London newspaper in an editorial takes this view of the subject:—

“What seems most likely is that, when the Council came to examine the subject of tramway administration practically, they found that the prospects of extensive improvement in the conditions of labor which the advocates of ‘Collectivist’ control had held out could not be realized without throwing upon the rates additional burdens, for which even a Progressive majority lacked the courage, when it came to the pinch, to become responsible. . . . What it means is that the pressure now applied to the men will be transferred to the masters; that under pain of losing votes the Progressives will be urged to concede what their servants insist upon. It would be an

interesting struggle for outsiders to watch, if it did not seem so very probable that the settlement will be arranged at their own expense."

This is a phase of the municipal ownership question which American taxpayers will do well to study. When the wages of men become political questions, the men will likely get the increased wage, the political party the votes, and the taxpayer the bill of expenses. If it should appear that, with officials less subject to political influences than the officials of American cities, England has made no greater headway on the whole in the municipalization of such undertakings as water, gas, electric lighting, and street railways, then it may be worth while for us to study more carefully that middle and safer ground which may be found in good working condition on the Continent, and has been able to obtain the best expert service of private enterprises with such municipal control as absolutely protects the public interest; in other words, the highest efficiency of service, adequate compensation for rights and franchises conferred, reasonable public control, without making the municipality an enormous labor-employing bureau, with its innumerable complications and stupendous dangers.

It is doubtful, when all the important factors of the problem are taken into consideration, if the advocates of municipal operation can point to a single instance in which such service is performed better and cheaper and on more intelligent principles abroad than in the United States. If American labor would be contented with the foreign scale of

wages, we might be able to give our theoretical friends even lower car fares than they now enjoy. This statement is made, however, as the lawyers say, without prejudice to the claim which I believe can be sustained, namely, that in spite of the great difference in wages, such service is performed in the United States today as well and cheaper than similar service in any European city.

- Politics, red tape, ignorance, timidity, opposing interests, and the deadly fear that private enterprise should make a dollar profit, have all helped in England, and to a lesser extent on the Continent, to retard the extension of street railways to meet the pressing demands of population. In America, however, private capital has had full swing, and with a courage almost akin to recklessness has not hesitated to discard, regardless of cost, one system of propulsion as fast as a better offered. Whatever the sins of the American street-car man may be—and, like all the rest of humanity, he is far from perfection—he is up to date. He



has planned his railway system on broad lines, including the districts that pay and the districts that must be run with a loss. He has gone ahead and taken his chances

with the rest of the community, pinning his faith on the growth of the city and the increase of the suburban districts. He has not been contented to pick up the pennies within the city walls, but has boldly branched out in all directions, building up suburban districts where none existed, and increasing real estate values along the route. The American street railway man may have driven good bargains for himself, and directly he may not pay as much into the coffers of municipalities as toll for the use of the streets, as his co-laborer beyond the Atlantic. Weighed, however, in the balance of good business and common sense, he can point to achievements which far outweigh the results attained in England, where municipal pettifogging has effectually soaked the enterprise out of street railways, and on the Continent, where private enterprise has only been allowed to go ahead after being enveloped in a sack of governmental restrictions. Instead of petty railway budgets, showing so much profit to the municipality, the American city can point to largely-increased real estate values, and millions added to the tax rolls, in a large measure the result of distributing the population of our cities beyond the boundaries far into the country districts. Look at the area of American cities compared with the larger cities of Europe. Without cheap and rapid transit, all the recent extensions of the boundaries of our cities would have been impossible.

The American street railway man may therefore point with righteous pride to his track mileage, exceeding by 6,000 miles that

of Europe, to the 4,000,000,000 passengers which he annually conveys to and from their homes, and to the fact that he has not waited for the population to come to him, but has gone out, true American fashion, in advance of population, and built up districts at great expense, which he now works with a profit, not alone to himself, but to the city whose revenue from taxes is thereby increased. On the question of charges, the American street railway compares favorably with similar systems abroad. In the first place, we have solved the question of a uniform fare, while nearly every municipality which I have visited in Europe is struggling, apparently hopelessly, with this question. Why? Because the municipality has not the courage of private enterprise. A uniform fare, it is contended, gives the longer haul an advantage over the shorter; so, to avoid this, in Glasgow the acme of absurdity has been reached by a one-cent fare



for a trifle over half a mile. It is far better for a man to walk half a mile than to ride anyhow, and quicker, it seems to me, after try-

ing halfpenny fares on the newly inaugurated municipal horse tramways of the Scottish city, which social reformers claim has solved the true art of municipal government and municipally operated transit.

With their eyes bent on the puttering short haul, the street railways of the United Kingdom and, to a lesser extent, of continental Europe, have failed to realize that it is the cheap long haul that relieves the congested spots of our great cities; that creates cheap homes; that carries the people into the suburban districts; and, lastly, that builds up new taxable areas, which ultimately give back to the city a hundred fold more than it would ever make trying to do for itself that which can be far better done by private ingenuity, economy, and enterprise. So Liverpool and London and Paris are all at this moment in their new street railway enterprises agitating the uniform fare question, as though it was something new and strange and wonderful. To the canny Scotch mind, however, in Glasgow, it seems a dreadful thing that one passenger should get a fifteen-mile ride for the same price paid by another passenger for the privilege of going one mile. I say fifteen miles, but on this point I may be corrected, because it was only the other day I was told that in New York City you can now ride for five cents along twenty-five miles of road and through territory which ten years ago would have cost you twenty-five cents and three hours' time. The efficacy of the American nickel, it is true, has helped us out; though with the elaborate systems of transfers inaugurated in the larger cities, the



actual American fares can not be measured by five cents. In New York City the enterprising Metropolitan Street Railway Company have, during the last three years,

increased their transfer system from thirty-two millions in 1896 to sixty-four millions in 1897, to ninety millions in 1898, and to one hundred and thirty-four millions in 1899, thereby reducing the average fare to about three and a quarter cents, which, as I have shown, is less than the average fares on the Paris tramways, less by more than a half a cent than the average fares on the omnibus of Paris. In London, where the "Penny Bus" is so much in evidence that

one would imagine they could get all over London for two cents, the mean rate per mile is nearly two cents—that is .92 of an English penny. The tramways of London charge over one and a half cents per mile, and the fares range, as do those of the omnibus, from two cents to twelve, according to distance.

But these are mere details. We cannot reach a safe plane of comparison between European and American municipalities without a proper understanding of the two systems of local government, and especially of the relations of central and local government in the two countries. The first essential, in my opinion, is to determine the



position of the city correctly and definitely. If after this we shall find that in England—and in a greater degree on the Continent—the municipality is both an agent of the state and an organization for the satisfaction of local needs, may not some of these reformers have to begin their work all over again and become advocates of the great central power, such as that possessed in Germany? In that country state ownership of railways has, perhaps, met with a measure of success as a producer of governmental revenue, though not as a medium of quick, cheap, and efficient transportation, as in England and the United States, where the railways are in private hands. Yet Germany draws the line on street railways, and the future policy of that happy hunting ground of the advocates of state ownership and operation of profit-earning undertakings will be in the direction of private operation, and moderate municipal control. In support of this, and also in support of my claim that the English experiments in municipalization of street railways are inadequate, let me call attention to the following paragraph in the report of the Massachusetts Special Committee appointed to investigate the relations between cities and towns and street railway companies:—

“As yet no attempt at the municipalization of street railways has been made in any country on a sufficiently large scale and for a long enough time to be of real significance. Glasgow and Leeds, for instance, are the two European instances more frequently referred to. From the statements often met with in the press, and the assertions heard in discussion, it might well be assumed that the experiments made in these cit-



ies amounted to an indisputable and established success; whereas, in point of fact, such is in no degree the case. (Those seeking further information on this subject are referred to a very interesting, as well as instructive, paper submitted to the committee by Robert P. Porter, superintendent of the United States Census of 1890, printed in the appendix to this report.) So far from being a demonstrated success, it may, on the contrary, be confidently asserted that nowhere, as yet, has the experiment of municipalization of street railways been worked out to any logical and ultimate results whatever, nor can it be so worked out for at least a score of years to come. Even then, political habits, social traditions, and material and economical conditions vary so greatly, and enter to so large an extent into the problem, that it will not be safe to infer that what may have proved safe and practicable in one community is either practicable or safe in another. At the present time, the municipalization of the street railways is not accepted as by any means indisputably desirable in Great Britain, while in Germany it is regarded unfavorably. This last fact is the more noteworthy, as Germany has been the field in which state ownership and management of steam railroads has been developed to the fullest extent, and with results pronounced to be unquestionable, as well as most satisfactory. The grounds for this apparently illogical action and contradictory policy were, during the last summer, briefly set forth to a member of the committee by the highest German authority. They were purely practical. The state official referred to simply said that Germany had carried officialism as far as, in his judgment, it was prudent to go. The government employees tended always to increase; and there, as here, if was found that employment by the government signified much which did not at once appear. The line had to be drawn somewhere; and it was not considered expedient to add to the number already existing the numerous officials and employees of all the street railway systems in the empire."

The member of the committee referred to in the report was the Hon. Charles Francis

Adams, of Boston, one of the clearest-headed and fairest-minded men we have in public life, and an expert in railway matters. I had several conferences last autumn with Mr. Adams on this subject, and found my own conclusions identical with his, after having independently gone over much the same ground. Since then I have spent two months in Berlin and conferred with the same officials and can personally vouch for these opinions being generally held in Germany. The fact is, we are not yet prepared for the German system of centralization in the United States, nor do I see in the English experiment in municipalization anything particularly attractive, either from the standpoint of service rendered, or pecuniary results to the municipalities.

In its conclusion the Massachusetts Committee says:—

“So far as Massachusetts is concerned, the committee apprehends that great difficulties of a practical as well as theoretical character would present themselves, should a serious attempt be made at the complete municipalization of street railways.”

And this should be the general conclusion of all who impartially study the question. The old aspect of municipal administration dealt with the paving and lighting of streets; the supply of water; the construction of sewers; in maintaining order and occasionally in the establishment of parks. The new phase of municipal administration, in its most ambitious form, aims to deal with every question that directly or indirectly affects the life of the people. Carried to the extent which it has been in some

British cities, it is in fact municipal socialism. The new school of municipal administration in England enters into the life of the people. It not only takes upon itself the unprofitable side of the local budgets, but argues very plausibly that a well-governed municipality can afford to give no privileges by which corporations may enrich themselves at the expense of the community; that such profits belong to the community at large, or should be used to promote the general welfare. Beginning with the municipalization of gas and water, the idea has extended to tramways, markets, baths, libraries, picture galleries, technical schools, artisans' dwellings, cricket fields, football grounds, tennis courts, gymnasia for girls as well as boys, regulation of refreshment tariffs, free chairs in the parks, free music, and, last though not least, it is proposed to municipalize the ginshops and public-houses.

The only limit on the non-profit-paying work which a municipality may do is, it might be inferred, the capacity of the assessment roll and the amount the ratepayer is willing to pay. On the profit-paying work, however, the real, vital, debatable question, which the growth of the municipal idea or municipal spirit is forcing to the front, is: How far can municipalities go in this direction without undermining the whole fabric of free competition? This is one of the vital points of the whole subject. If the state or city taxes away one after another of the opportunities for the profitable employment of private capital and brains the logical result is that other occupations

become over-crowded, the struggle for existence gets harder, and an increasing number of persons must come upon the state or city for support. The state's function is to give every man an opportunity to do business, under a stable government. It ought not to diminish his opportunities for using his capital and his abilities. In thus becoming its own builder, its own engineer, its own manufacturer, does a municipality enter too much into direct competition with private industries? Does it undertake work which individuals are at least equally able to perform?\*

\*The *London Globe*, in an editorial on "Municipal Trading," says:—

"There was practical wisdom in the suggestion of one of the speakers at yesterday's meeting of the British Association when the question of Municipal finance and trading was discussed. It was to the effect that Municipal trading should be left to do what it could best do, and that theorists should generalize after the practical people had settled what was best to be done. Adherence to this principle would save a world of trouble, and would lay permanently upon the shelf many a pernicious fad. Of course, there were not wanting yesterday enthusiasts in favor of free everything, with especial reference to tramways, while the crank who says profits are not profits when they are made by a municipality, but only a form of indirect taxation, aired his eloquence also. Happily, however, there was a strain of sweet reasonableness in the discussion, and the general contention was the sound one that municipalities should be allowed to undertake only that which they could do better than it could be done by private enterprise. It is well that this saving leaven of commonsense was allowed to counteract the views of some of the speakers, who were clearly inclined to put into the hands of municipal bodies any kind of trading the latter might care to undertake. Whatever abstract resolution a body like the British Association might pass, the notion of extending the trading powers of County Councils and other governing bodies is not likely to gain favor. In the matter of direct employment of labor we have already been permitted a glance at the kind of evil likely to ensue on the endowment of local governing bodies with extended powers, and the result is not encouraging to the advocates of such extension. Apart from this consideration, however, the trading associations which we in the metropolis are accustomed to call co-operative have done, and are doing, quite enough to ruin the large class of retail tradesmen—a valuable section of the community which we can ill afford to spare—without the added influence of municipal bodies."

ger that those of us who applaud the tramway enterprise of Glasgow, the real estate scheme of Birmingham, the municipal tenements of Liverpool, the hydraulic power and ship canal venture of Manchester, the abolition of slums in Bradford, and the municipal achievement of Leeds, will ultimately find enterprises other than those in the present catalogue taken up by municipalities? The question then arises, to what extent is it safe to trust municipalities in this direction? Hon. John Boyd Thatcher, mayor of Albany, has said :—

“If the city may do those things for the individual which he cannot do for himself, may it do for him those things which he finds it inconvenient to do for himself? If it may care for his safety and his health, may it also care for his morals and his comforts? If it may build him an academy to educate a sound mind, may it build him a gymnasium to develop a sound body? If it build a gymnasium to train his muscles, may it erect an arena to test his prowess? If it publish police rules and regulations for his conduct, may it establish an ethical college to teach him the foundation of obligation? If it may teach him ethics, may it teach him religion? And may all these things be done at public expense? Here our vessel breaks from its moorings and drifts toward the beautiful but dangerous coast of paternal government.”

It has undoubtedly been shown that the experience of many cities has proven beyond a doubt that the municipal ownership and management of transportation lines, water-works, lighting works, markets, docks and other works rendering common public service may be of immediate advantage to the public under some conditions. But is this advantage reaped at the expense

of the future? Do not the economic undertakings of government only emphasize the failure of government to govern? These are social questions, and must be answered by the sovereign body in each country of the world.

In brief, is the state to be supreme? That, after all, is the vital question before the country today. Herbert Spencer, looking out over the civilized world with the clear eye of a trained observer, declared the tendency of nineteenth century thought to be in the direction of a Socialized Government, remarking incidentally :—

“Every additional state interference strengthens the tacit assumption that it is the duty of the state to deal with all evils and secure all benefits. Increasing power of a growing administrative organization is accompanied by decreasing power of the rest of society to resist its further growth and control. The people at large, led to look on benefits received through public agencies as gratis benefits, have their hopes continually excited by the prospects of more. A spreading education, furthering the diffusion of pleasing errors rather than of stern truths, renders such hopes both stronger and more general. Worse still, such hopes are ministered to by candidates for public favor by countenancing them. The current assumption is that there should be no suffering and that society is to blame for that which exists.”

When you open up these questions you touch upon broader problems than I am capable of discussing. On the question itself in hand, of how far we can go with municipal operation, there is a wide divergence of opinion in the United States. There are strong advocates of municipali-

zation, favoring almost any sacrifice for the purpose of improving municipal life, enthusiastic believers in municipal ownership of anything and everything,—in Great Britain,—who emphatically say that such a policy is mistaken when it is proposed to introduce the ownership and operation of similar undertakings into the cities of the United States. Attention is called to a recent report made by a committee of the New York Legislature, after examining many expert witnesses and taking two large volumes of testimony. The committee, in summing up its conclusions in relation to municipal ownership, said :—

“But few have advocated the ownership and operation of railroads by the cities. The preponderance of testimony taken and the great majority of opinion expressed before this committee is against the system so commonly referred to as “municipal ownership.” It is obvious that, with our present system of municipal government the ownership and operation of railroads by the cities and municipalities would have a tendency to convert these enterprises into powerful political machines, the result of which would be detrimental to the public welfare.”

Before that committee was summoned Dr. Albert G. Shaw, whose volume on the municipal administration of certain foreign cities ranks among the classics on this subject. Upon the subject of municipal ownership he gave this testimony :—

“I have never dreamed of advocating municipal ownership in the city of New York. I have never thought of it as a remedy. I do believe, if there is nothing in existing charters to prevent legis-

lative remedy, that it might be possible to bring the whole business of transit in the city of New York under a better and more efficient public supervision, to the end of giving us some relief here."

On cross-examination, the whole case of municipal ownership based on European experience fell to pieces; for Dr. Shaw, while taking the ground that American cities had perhaps been unwise in not valuing more highly the privileges they had conferred upon companies, substantially took the ground that comparisons between European and American cities for elucidating these problems were of little value. Dr. Shaw said:—

"I recognize, on the other hand, the exceptional enterprise of many of the American street railway companies, and the immense advantage our communities derive from such facilities as they have; but I do not believe enterprise would have been checked if municipal treasurers had guarded financial possibilities a little bit more closely. I think these are questions of fact, to be worked out precisely as I judge your committee has been doing, by getting out precisely the kind of facts they were obtaining from the witness who preceded me. I do not believe the conclusions derivable from the experience of foreign cities, although I have been interested in them,—but I never believed any experience derived from them of any applicability to our cities; but they throw some little side lights that are interesting, but conditions differ, but our heads are as clear as any one's, and we should be able to derive and work out deductions and true conclusions."

The New York committee did its utmost to secure the attendance of all advocates of



municipal ownership, and subpoenaed some of the most prominent, Dr. Rainsford and Dr. Lyman Abbott, for example. Neither of these gentlemen, however, appeared. Yet I have already shown that Dr. Abbott wants our cities to absorb all street railway lines immediately.

Speaking directly on the ownership and operation of street railways by cities, the committee said:—

“We unhesitatingly disapprove of the idea of municipalities owning and operating street railways. There may be, however, circumstances under which it is both feasible, practicable and economical for the city to construct and own the road-bed itself, and permit its operation by a private enterprise, under the direction and control of the city; but even that time is not yet at hand. The street railway systems of the state are, and for a period of five or six years have been, in a perfect state of transition.”

The closing paragraph of the part of the report relating to this phase of the subject is both unhesitating and conclusive:—

“Under all the conditions and circumstances, it would seem that ownership and operation of street railways by the municipal authorities is quite impracticable at the present time. As an abstract proposition, we believe that no government, either national, state or municipal, should embark in a business that can be as well conducted by private enterprise. The reverse of this proposition carried out to a logical conclusion would put all business enterprises under governmental management and control, and leave to no citizen any hope, ambition or aspiration beyond that of seeking an official position that affords a meager existence.”

It would be difficult to frame a more powerful argument against so dangerous a policy than this one put forward by the New York Legislative Committee. There is such a thing as carrying government interference too far, and the danger in all such experiments arises from the fact that one step leads to another. From municipal ownership we may go to municipal socialism; and from municipal socialism remember that the distance is not far to state socialism. Are we ready for this?



## *Economic Works of Robert P. Porter.*

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**LOCAL GOVERNMENT: AT HOME AND ABROAD.** Reprinted from "The Princeton Review," July, 1879.

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**BREAD WINNERS ABROAD.** 100 letters from Europe. J. S. Ogilvie & Co., New York, 1884.

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**COMMERCE AND INDUSTRIES OF JAPAN.** A Report of investigations made for the National Association of Manufacturers of the United States, 1896.

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\***MUNICIPAL OWNERSHIP AND OPERATION OF STREET RAILWAYS IN ENGLAND.** A paper read before the Special Committee appointed by the Governor of Massachusetts to consider and investigate the subject of relations between Street Railways and Municipal Corporations, and reprinted from the report of the Special Committee. House Document No. 475. February, 1898.

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\***INDUSTRIAL CUBA.** Being a Study of Present Commercial and Industrial Conditions, with suggestions as to the opportunities presented in the Island for American capital, enterprise and labor. 62 illustrations, and 4 maps 8°. 438 pages, \$3.50. 1899. G. P. Putnam's Sons, New York.

\***VESTED WRONGS.** An address read at the Third Annual Convention of the League of American Municipalities, held at Syracuse, N. Y., September 19-22, 1899. 25 cents.

\***OTHER PEOPLE'S MONEY.** Being a story of Municipal Speculation and its Consequences. 1900. Revised and reprinted from the New York Times, October 31, 1899. 25 cents.

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